

# Executive Summary Report

**Appraisal Date 1/1/2004 – 2004 Assessment Roll**

**Specialty Name: Warehouses**

**Sales - Improved Summary:**

Number of Sales: 32

Range of Sale Dates: 1/24/2001 – 7/7/2003

**Sales – Ratio Study Summary:**

	<u>Mean Assessed Value</u>	<u>Mean Sale Price</u>	<u>Ratio</u>	<u>COV</u>
2003 Value	\$14,276,500	\$15,038,700	94.9%	7.25%
2004 Value	\$14,414,500	\$15,038,700	95.8%	6.60%
Change	+ \$138,000		+.90%	-0.65%
%Change	+.01%		+0.1%	-0.09%

\*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -.65% and -0.09% actually represent an improvement.

Sales used in Analysis: All improved sales that are verified as fair market transactions were included in the analysis.

**Population - Parcel Summary Data:**

	<b>Land</b>	<b>Imps</b>	<b>Total</b>
<b>2003 Value</b>	\$854,166,496	\$1,650,868,560	\$2,505,035,056
<b>2004 Value</b>	\$878,340,300	\$1,651,543,360	\$2,529,883,660
<b>Percent Change</b>	+2.83%	+0.04%	+1.00%

Number of Parcels in the Population: 295

**Conclusion and Recommendation:**

Since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2004 Assessment Roll.

# Analysis Process

## ***Area Specialty***

Specialty Area – 500-Warehouses

## ***Highest and Best Use Analysis***

**As if vacant:** Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial/industrial use. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel.

**As if improved: Based** on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000 is assigned to the improvements.

## ***Special Assumptions, Departures and Limiting Conditions***

All three approaches to value; market, cost, and income, were considered for this mass appraisal valuation. After the sales verification process, the appraiser concluded that the market participants typically consider an income approach to value.

The following Departmental guidelines were considered and adhered to:

- 📅 Sales from 1/2001 to 12/03 (minimum) were considered in all analyses.
- 📅 No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- 📅 This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

## **Identification of the Area**

### **Name or Designation: Specialty Area 500: Warehouses**

This report contains data pertinent to the revalue of major warehouse facilities. Specialty Area 500 encompasses all distribution and storage as well as light industrial facilities with gross building areas greater than or equal to 100,000 square feet located in King County. It is divided into neighborhoods 25, 35, 45, 60, and 80.

**Boundaries:** The properties are located throughout King County.

### **Maps:**

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

### **Area Description:**

The industrial areas of King County have several recognized submarkets; the close-in Seattle area, the Kent Valley, and the Eastside. The increasing scarcity of industrial land is continuing to impact development. This has long been the case for close-in properties that now face redevelopment pressure into retail, residential, and other uses. Outlying properties are facing environmental and political restrictions as development of large facilities continues to spread farther from the familiar core areas outward in all available directions to less costly land.

For this revalue period, the warehouse market continues to adjust to the increasing vacancy rates and falling lease rates. Capitalization rates have remained low in part due to the historically low interest rates. The result has been a relatively small change in overall assessed values.

### **Physically Inspected Neighborhood:**

Specialty Area 500 Economic Neighborhood 35: Auburn, Pacific, Algona, Enumclaw, Federal Way, Des Moines, SeaTac, and Burien comprise the geographic locations for neighborhood 35. The variety of properties in this neighborhood is similar to that found for Economic Neighborhoods 25 and 45 described above. There are a large number of industrial parks offering a variety of available space for the particular needs of individual tenants, as well as many stand alone industrial concerns that have been built to individual specifications. Property types range from incubator space to major cold storage and distribution facilities as development has spiraled through the Kent Valley. This neighborhood is comprised of 45 parcels.

### ***Preliminary Ratio Analysis***

A preliminary ratio study was completed just prior to the application of the 2004 recommended values. This study benchmarks the current assessment level using 2003-posted values. The study was also repeated after application of the 2004 recommended values. The results are included in the validation section of this report, showing an improvement in the COV from 7.25% to 6.60%.

## ***Scope of Data***

### **Land Value Data:**

The geographic appraiser in the area in which the specialty warehouse property is located is responsible for the land value used by the warehouse specialty appraiser. See appropriate area reports.

### **Improved Parcel Total Values:**

#### ***Sales comparison approach model description***

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales are verified if possible by calling the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Sales are listed in the “Sales Used” and “Sales Not Used” sections of this report. Additional information resides in the Assessor’s procedure manual located in the Public Information area of the King County Administration Building.

#### **Sales comparison calibration**

Only those sales coded as verified “good” were considered in the process of this revalue. There are 32 improved sales, countywide. After an initial search for comparable sales within each geographic area, a search is made in neighboring areas and expanded to include all of King County if necessary.

#### ***Cost approach model description***

Cost estimates are automatically calculated via the Marshall & Swift “black box” cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost is adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Cost estimates serve as value indicators for new construction projects and are relied upon for special use properties where no income or market data exists.

#### **Cost calibration**

The Marshall & Swift cost modeling system built in to the Real Property Application is calibrated to the region and the Seattle area.

### ***Income capitalization approach model description***

The Income Approach to value was considered for all specialty warehouse properties this revalue. Income Tables were developed for each economic neighborhood in Specialty Area 500 for use in the department's commercial income capitalization program. They are broken down by neighborhood and the Marshall & Swift occupancy use codes. These tables are appended to the end of this report. The rates for rents, vacancy, expenses and capitalization were derived from the Assessor's records as well as published sources such as CB Commercial (cited below), Trammel Crow MarketScope, and the Puget Sound Business Journal. All rents are given as triple net, which is the norm for these types of properties. Those parcels that did not fit the income tables, due to excess land or locational influences were treated as exceptions and valued appropriately via one or more of the three approaches to value, Income, Market, or Cost.

### ***Income approach calibration***

The models were calibrated after setting base rents by using adjustments based on size, effective age, and construction quality as recorded in the Assessor's records. See the income tables for each neighborhood included in this report. Approximately 18% of the overall specialty warehouse population fell outside of the income model. There were various reasons for this, including new construction, land value unsupported by improvement income stream. There may have been other reasons as well. However, for each instance in which the income model was not used, documentation was placed in the notes section of the Real Property Application.

### ***Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.***

All parcels are individually reviewed by the specialty appraiser for correctness of the model application before final value selection

Final value selects were reviewed by the Senior Appraisers before posting.

## Model Validation

### ***Total Value Conclusions, Recommendations and Validation:***

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

The standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2003 and 2004 Ratio Analysis charts included in this report.

The 2004 Ratio Study Analysis indicates that the standard statistical measure of valuation level at a Weighted Mean Ratio of 0.958 is well above the 0.90 IAAO lower limit guideline and an improvement from the Preliminary Ratio Study Analysis Weighted Mean Ratio of 0.949. The maximum IAAO limit for the COD for income properties (city) is 15%, and, after value selection, the COD improved from 5.97% to 5.31%. The measures for uniformity and equity all show improvement. The COV improved from 7.25% to 6.60%. The price-related differential (PRD) is recommended by the IAAO as a statistical measure of vertical inequity (these exist when assessment levels vary systematically with value levels). PRDs ranging from 0.98 to 1.03 are considered to demonstrate acceptable vertical equity. The PRD remained 1.01.

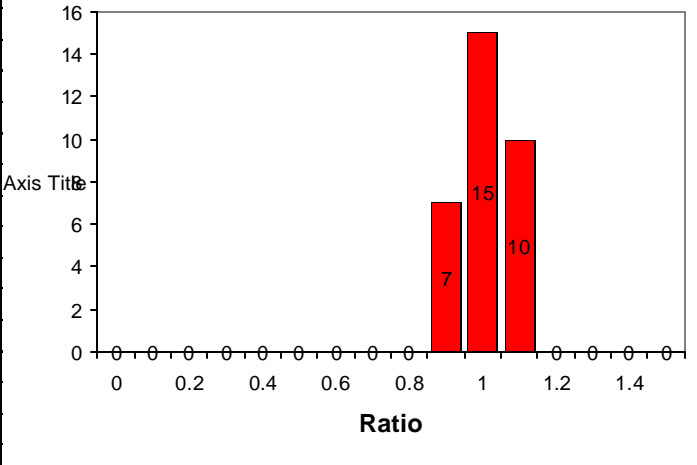
*The Appraisal Specialist recommends application of the Appraiser selected values, as indicated by the appropriate model or method.*

Application of these recommended values for the 2004 assessment year (taxes payable in 2005) results in an average total change from the 2003 assessments of +1.0%. The 2003 assessed values total \$2,505,035,056 whereas the 2004 recommended values total \$2,529,883,660. This increase is due partly to upward market changes over time and the previous assessment levels.

Area 500 - Warehouses  
2004 Assessment Year  
Using 2003 Values

<b>Quadrant/Crew:</b>	<b>Lien Date:</b>	<b>Date:</b>		<b>Sales Dates:</b>
South Crew	1/1/2003	6/16/2004		1/24/01 - 7/07/03
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>		<b>Trend used?: Y / N</b>
500	JCOL	Improvement		N
<b>SAMPLE STATISTICS</b>				
<i>Sample size (n)</i>	32	<div style="text-align: center;"> <b>Ratio Frequency</b> </div>		
<i>Mean Assessed Value</i>	14,276,500			
<i>Mean Sales Price</i>	15,038,700			
<i>Standard Deviation AV</i>	11,060,024			
<i>Standard Deviation SP</i>	11,656,168			
<b>ASSESSMENT LEVEL</b>		<div style="border: 1px solid black; padding: 5px;"> <p>These figures reflect the 2003 assessed values compared to the listed sales.</p> </div>		
<i>Arithmetic mean ratio</i>	0.956			
<i>Median Ratio</i>	0.949			
<i>Weighted Mean Ratio</i>	0.949			
<b>UNIFORMITY</b>				
<i>Lowest ratio</i>	0.8340			
<i>Highest ratio:</i>	1.0854			
<i>Coefficient of Dispersion</i>	5.97%			
<i>Standard Deviation</i>	0.0693			
<i>Coefficient of Variation</i>	7.25%			
<i>Price-related Differential</i>	1.01			
<b>RELIABILITY</b>				
<b>95% Confidence: Median</b>				
<i>Lower limit</i>	0.917			
<i>Upper limit</i>	1.001			
<b>95% Confidence: Mean</b>				
<i>Lower limit</i>	0.932			
<i>Upper limit</i>	0.980			
<b>SAMPLE SIZE EVALUATION</b>				
<i>N (population size)</i>	274			
<i>B (acceptable error - in decimal)</i>	0.05			
<i>S (estimated from this sample)</i>	0.0693			
<b>Recommended minimum:</b>	7			
<i>Actual sample size:</i>	32			
<b>Conclusion:</b>	OK			
<b>NORMALITY</b>				
<b>Binomial Test</b>				
<i># ratios below mean:</i>	17			
<i># ratios above mean:</i>	15			
<i>z:</i>	0.176776695			
<b>Conclusion:</b>	Normal*			
*i.e., no evidence of non-normality				

**Area 500 - Warehouses**  
**2004 Assessment Year**  
**Using 2004 Values**

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
South Crew	1/1/2004	6/16/2004	1/24/01 - 07/7/03		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
500	JCOL	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	32	<div><div>Ratio Frequency</div><p>A histogram showing the frequency of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4. The y-axis is labeled 'Axis Title' and ranges from 0 to 16. There are three bars: the first bar (ratio 0.8-0.9) has a frequency of 7; the second bar (ratio 0.9-1.0) has a frequency of 15; the third bar (ratio 1.0-1.1) has a frequency of 10.</p></div>			
Mean Assessed Value	14,414,500				
Mean Sales Price	15,038,700				
Standard Deviation AV	11,184,645				
Standard Deviation SP	11,656,168				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.964				
Median Ratio	0.970				
Weighted Mean Ratio	0.958				
<div><div>These figures reflect the recommended 2004 assessed values compared to the listed sales.</div></div>					
				UNIFORMITY	
				Lowest ratio	0.8494
				Highest ratio:	1.0854
				Coefficient of Dispersion	5.31%
				Standard Deviation	0.0636
				Coefficient of Variation	6.60%
				Price-related Differential	1.01
				RELIABILITY	
				95% Confidence: Median	
Lower limit	0.924				
Upper limit	1.001				
95% Confidence: Mean					
Lower limit	0.942				
Upper limit	0.986				
SAMPLE SIZE EVALUATION					
N (population size)	274				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.0636				
Recommended minimum:	6				
Actual sample size:	32				
Conclusion:	OK				
NORMALITY					
Binomial Test					
# ratios below mean:	15				
# ratios above mean:	17				
z:	0.176776695				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					



### Improvement Sales for Area 500 with Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par . Ct.
500	025	214610	0033	110,320	1801124	\$5,270,000	01/24/01	\$47.77	EARLINGTON BUSINESS PARK	IM	1
500	045	022204	9012	276,330	1817722	\$11,000,000	05/07/01	\$39.81	WAREHOUSE/DISTRIBUTION	M1	2
500	045	122204	9093	343,798	1821102	\$20,000,000	06/01/01	\$58.17	KENT VALLEY BUSINESS CENTER	M1	1
500	035	362204	9004	115,400	1826352	\$8,098,000	06/14/01	\$70.17	TOYSMITH	M1	1
500	045	619540	0070	117,620	1826356	\$5,796,100	06/15/01	\$49.28	VAN DOREN'S LANDING #3	MI	1
500	045	000620	0026	270,772	1839082	\$12,144,600	08/28/01	\$44.85	WDS II WHSE	M1	1
500	025	362304	9085	98,770	1839097	\$5,050,000	08/29/01	\$51.13	DISTRIBUTION WAREHOUSE	M2	1
500	035	664960	0030	133,900	1843541	\$7,243,344	09/25/01	\$54.10	DISTRIBUTION WHSE	M1	1
500	035	030151	0240	187,750	1848606	\$8,200,000	10/24/01	\$43.68	GOODYEAR	M1	1
500	045	072205	9024	248,792	1858758	\$13,981,000	12/19/01	\$56.20	KENT EAST CORPORATE PARK	GWC	4
500	045	775780	0180	508,628	1858764	\$27,019,000	12/19/01	\$53.12	KENT EAST CORP PARK	M2	1
500	045	775980	0150	170,000	1859592	\$9,450,000	12/27/01	\$55.59	MILL CREEK DISTRIBUTION CENTER I	M3	1
500	035	000460	0042	1,101,404	1865740	\$54,150,000	01/31/02	\$49.16	VALLEY CENTRE CORPORATE PARK	M1	3
500	045	012204	9045	960,300	1868749	\$28,250,000	02/20/02	\$29.42	VALLEY INDUSTRIAL PARK	M2	2
500	035	232973	0080	201,170	1875995	\$9,778,531	03/28/02	\$48.61	EMERALD CORPORATE PARK-BLDG C	M1	1
500	025	214600	0010	136,800	1889825	\$5,886,000	05/24/02	\$43.03	NORTHWEST CORP.PARK -EARLINGTON	IM	1
500	025	362304	9001	1,044,839	1889826	\$40,309,000	05/24/02	\$38.58	NORTHWEST CORPORATE PARK RENTON	IM	3
500	025	362304	9005	147,410	1894123	\$5,250,000	06/26/02	\$35.61	MANNESMANN TALLY CORP	M1	1
500	035	232973	0040	241,430	1899698	\$10,000,000	07/23/02	\$41.42	EMERALD CORPORATE PARK - BLDG D	M1	1
500	035	132104	9019	283,450	1918857	\$14,600,000	10/30/02	\$51.51	AUBURN 18 DISTRIBUTION CENTER	M1	1
500	025	125380	0170	132,762	1926549	\$8,375,000	12/09/02	\$63.08	VALLEY INDUSTRIAL BLDG	IM	1
500	035	030151	0130	218,316	1929362	\$7,647,500	12/18/02	\$35.03	WAREHOUSE/INDUSTRIAL BUILDING	M1	1
500	035	000080	0012	273,895	1928999	\$16,000,000	12/20/02	\$58.42	AUBURN ITC	M1	1
500	045	132204	9139	428,410	1928998	\$22,464,000	12/20/02	\$52.44	KENT 228TH INDUSTRIAL PARK	M3	4
500	025	334040	5300	441,751	1930952	\$23,297,000	12/30/02	\$52.74	RENTON PARK 405	IM	1
500	035	158260	0065	386,108	1930945	\$20,418,000	12/30/02	\$52.88	BENAROYA BUSINESS PARK - AUBURN	M1	2
500	045	000620	0002	692,484	1930958	\$37,328,000	12/30/02	\$53.90	VAN DOREN'S WEST (BENAROYA)	M1	1
500	045	132204	9013	251,680	1946608	\$13,000,000	03/21/03	\$51.65	PARK 234	M1	1
500	060	395890	0851	100,780	1946622	\$5,650,000	03/24/03	\$56.06	WAREHOUSE/DISTRIBUTION	IG1U/85	1
500	035	242104	9082	198,530	1964411	\$8,586,197	06/09/03	\$43.25	ALGONA DISTRIBUTION CENTER -B	M1	1
500	045	142204	9044	192,247	1964423	\$10,250,000	06/09/03	\$53.32	WAREHOUSE	MI	1
500	045	142204	9069	107,096	1970970	\$6,746,434	07/07/03	\$62.99	VAN DOREN'S CENTER	M1	1